

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

*Click on headers to go to that section*

## Top News - Oil

### China Jan-Feb crude imports rise on strong holiday travel demand

China's imports of crude oil rose 5.1% in the first two months of 2024 from a year earlier, data showed on Thursday, as refiners ramped up purchases to meet fuel sales during the Lunar New Year holiday.

Imports during January and February amounted to 88.31 million metric tons, or about 10.74 million barrels per day (bpd), according to the General Administration of Customs.

That compared to 10.4 million bpd in the corresponding period last year.

China releases combined import data for January and February to smooth out the impact of the week-long Lunar New Year holiday that typically falls at the start of the year.

Demand for gasoline and aviation fuel spiked in late January through much of February as tens of millions of people travelled at home and abroad for the holiday break.

"China is expected to release more demand momentum in the later months of the year, with stronger diesel demand to materialise out of winter and stronger gasoline and jet fuel demand in the holidays and summer travel season," said Lin Ye, a Beijing-based analyst at consultancy Rystad Energy.

To meet higher fuel demand, state-run refiners maintained stable or slightly higher operations during these two months versus December, industry sources said.

Independent refiners, however, cut throughput, especially in February, amid thinning margins.

Chinese commodities consultancy JLC estimated independent plants in the refining hub of Shandong province ran crude units at an average of 58.27% of capacity in February, down 4.91 percentage points from January and down 9.6 percentage points from a year earlier.

In its annual industry outlook briefing last week, state energy group CNPC forecast China's crude oil imports this year to stay largely flat, up only 0.1% to about 11.3 million bpd.

That may suggest China's only greenfield refinery under construction, the 400,000-bpd Yulong Petrochemical complex, could enter production only towards late 2024, as earlier predicted.

Customs data also showed exports of refined oil products, which included diesel, gasoline, aviation fuel and marine fuel, were down 30.6% from a year earlier, at 8.82 million tons.

"Chinese refineries need to export their products more cautiously with the quota allocated, which means export margins matter more," said Rystad's Ye.

"We expect gasoline and diesel exports to have increased from February and are likely to further expand in March."

Natural gas imports for January-February, including piped gas and liquefied natural gas (LNG), jumped 23.6% from a year earlier to 22.10 million tons, the data showed.

That was the highest year to date total on record, Reuters records showed.

LSEG tanker tracking assessment showed about 13.7 million tons of LNG was delivered to Chinese ports during the first two months of 2024, up from the figure of 11.12 million tons a year earlier.

Lower spot LNG prices LNG-AS may have spurred Chinese firms to bring more shipments under long-term contracts to the domestic market and also step up some sporadic spot buying, traders said.

### US Democrats urge antitrust regulator to probe oil, gas mergers

Nearly 50 Democrats in the U.S. Congress on Wednesday urged the Federal Trade Commission to probe oil and gas company deals and expand current investigations to protect consumers and industry competition.

The industry went on a \$250 billion buying spree in 2023, taking advantage of companies' high stock prices to secure lower-cost reserves. Exxon Mobil Chevron Corp, and Occidental Petroleum made acquisitions worth a total of \$135 billion in 2023.

The trend has continued this year with deals such as Chesapeake Energy agreeing in January to buy Southwestern Energy, a \$7.4 billion deal that will make it the largest independent U.S. natural gas producer.

"If a small group of dominant firms is allowed to control this industry, American consumers and industry competition will only suffer," the Democrats, including Senate Majority Leader Chuck Schumer, and Representative Ro Khanna, wrote in a letter to the FTC.

"Therefore, we urge the FTC to extend its current investigations, open inquiries into these new deals, and take all appropriate actions to protect competition in this industry."

U.S. Energy Secretary Jennifer Granholm, asked about recent mergers at an event held by Axios, said she was concerned about monopolies because President Joe Biden is "obsessed about bringing down prices" including for gasoline.

But Granholm also expressed hope that mergers could accelerate a trend by some large oil and gas companies to act on climate and clean energy.

"Many of the majors, many of them not all ... have been taking action on climate and clean energy and a lot of the folks who are small level producers were not as interested, or didn't have the resources to address (those issues) so I'm encouraged that there seems to be a movement in this direction," Granholm said.

## Top News - Agriculture

### China Jan-Feb soybean imports fall to 5-year low

Soybean imports for top oilseed buyer China fell to a five-year low for the first two months of the year, weighed down by poor crushing margins and fewer ship arrivals during the Lunar New Year holidays.

Imports for January and February combined were at 13.04 million metric tons, down 8.8% from the same period a year ago, according to the General Administration of Customs.

The imports are the lowest for the period since 2019, according to Reuters records.

China customs also reported revised soybean import volumes for January-February 2023 to 14.30 million tons, versus an initial published figure of 16.17 million tons. Imports for the first two months of this year were in line with analysts' expectations of between 13 million and 14 million tons.

"Delayed shipments under poor crush margins, Chinese New Year holidays, and slow customs clearance are the reasons for the relatively low import figure," said Rosa Wang, an analyst at consultancy JCI.

China combines import data for January and February into one release to smooth out the impact of the Lunar New Year holidays, which fall in either of the two months each year.

"Arrivals in January and February are low as Chinese feed millers reduced meal usage. From April onwards, feed millers will increase meal usage due to cheaper beans," said a Singapore-based trader at an international company which supplies beans to China.

China's soybean demand for livestock feed may be hit this year by new regulations to control the nation's pig production capacity after an aggressive expansion of farms led to an oversupply of pigs and mounting losses. China lowered the national target for normal retention of breeding sows to 39 million from 41 million, in a move that analysts say could reduce the size of the world's largest pig herd by at least 22 million.

Meanwhile, soybean harvest in major producing countries Brazil and Argentina was well under way with expectations of plentiful supply.

Analysts have been mostly downgrading Brazilian estimates in recent weeks but the country is still flush with beans after a record crop last season and has been exceeding U.S. sales to China.

### COLUMN-World wheat outlook not as heavy as Chicago price plunge suggests -Braun

Exactly two years ago, Chicago wheat futures stamped all-time highs after top exporter Russia invaded fellow supplier Ukraine, immediately throwing almost 30% of global wheat exports into question.

But on Wednesday, CBOT wheat slipped to its lowest level since August 2020, joining the ranks with corn and soybeans, which last week also notched their lowest prices since late 2020.

In theory, global supply outlooks for wheat are not necessarily bearish, especially compared with those for corn and soybeans, though this wheat storyline clearly remains repetitive and non-threatening in traders' eyes. U.S. Department of Agriculture estimates suggest 2023-24 global wheat ending stocks will decline for a fourth consecutive season to eight-year lows. Eleven-year lows are on the docket when excluding serial grain stockpiler China from the mix.

Isolating major wheat exporters, stocks-to-use, a measure of supply versus demand, is seen at a three-year low of 14.8% in 2023-24, down from 15.9% in the prior season. The recent 10-year average is about 16.9%. For corn and soybeans, global stocks-to-use is pegged at 23% and 21%, respectively, marking four- and five-year highs.

The latest prognosis for wheat exporters is not much different from what USDA had projected for 2021-22 back in March 2022, roughly two weeks after the Russian invasion. Predicted stocks-to-use of 14% at that time was down from 15% estimated for 2020-21 and scheduled to reach 14-year lows.

Instead, wheat exporter stocks-to-use in 2021-22 rose on the year to 15.4%, as skyrocketing prices likely choked off some demand in the second half of that year.

Stocks-to-use rose again in the following year based on an unexpectedly solid Ukrainian export effort and a huge surge in Russian supplies.

This expanding trend is already happening for 2023-24, as the 14.8% stocks-to-use among major exporters is up from 13.5% predicted last September, for example.

**EXPORT PRESSURE**

Global wheat prices have been under pressure for months due to abundant supplies in top exporter Russia. Russian wheat shipments last month reached record volumes for February, and export prices have tumbled about 16% since Feb. 1.

Refinitiv data shows benchmark Russian wheat export prices this week slipped below \$200 per metric ton (\$5.44 per bushel) for the first time since August 2020, marking the lowest early-March price since 2017.

Ukraine’s program is also going well, and as of Wednesday, season-to-date wheat exports are up 6%

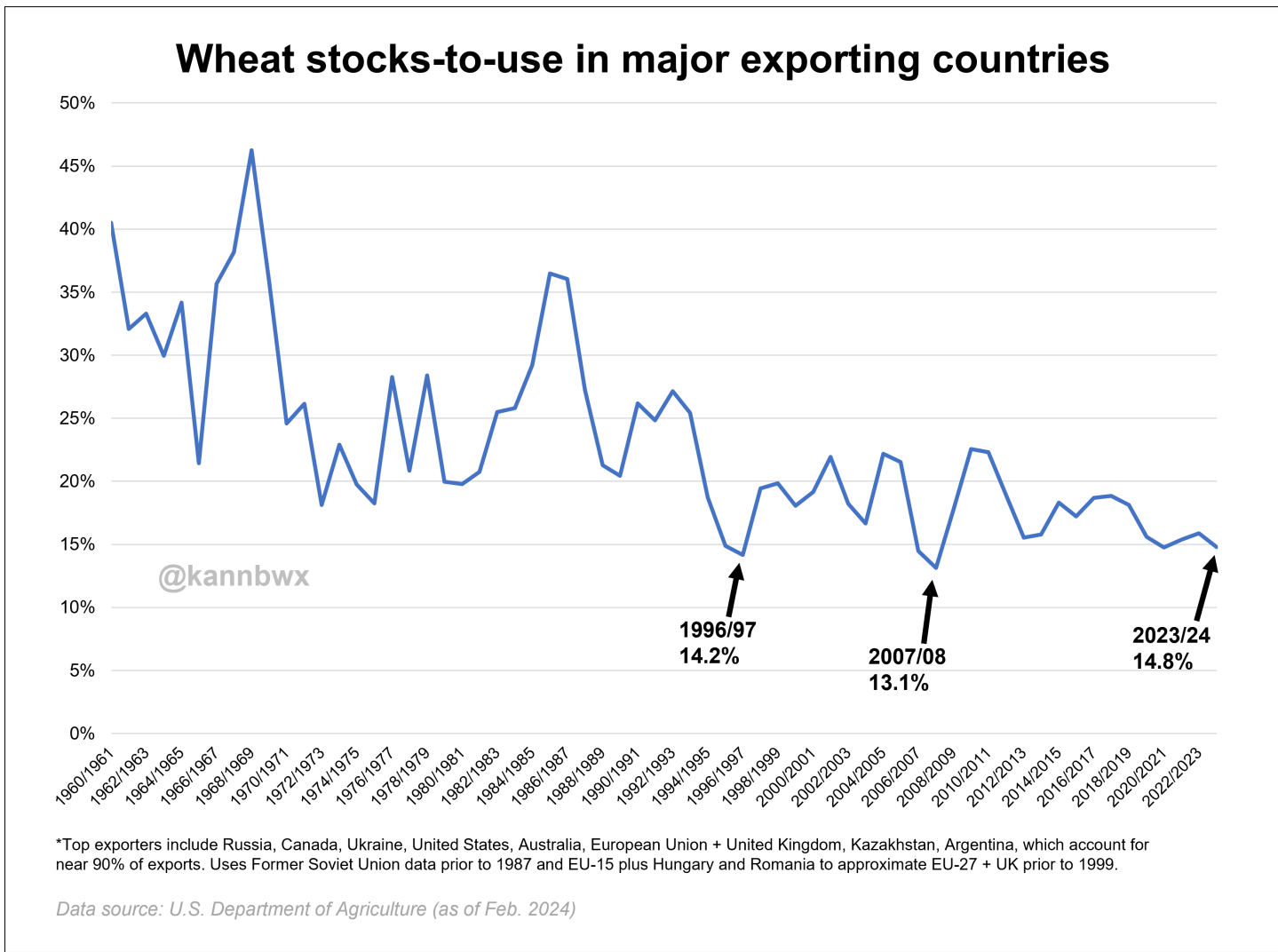
from a year ago. USDA is looking for a 12% annual decline in Ukraine’s 2023-24 wheat shipments, so this could be up for revision on Friday in the agency’s monthly supply and demand report.

CBOT wheat’s settle on Wednesday of \$5.31 per bushel is the most-active contract’s lowest for the date since 2020, when wheat closed around \$5.16. Speculators were relatively bullish wheat in early 2020, opposite to today’s bearish views.

But funds’ current net short in wheat is nowhere near as extreme as the ones in corn and beans, which is sensible based on the broad global supply picture for each crop. CBOT wheat has shed 15% so far in 2024, a very similar decline as the same period last year, though prices are about 24% lower than a year ago and nearly 60% off the early March 2022 spike.

Karen Braun is a market analyst for Reuters. Views expressed above are her own.

**Chart of the Day**



## Top News - Metals

### China Jan-Feb copper imports rise 2.6% as year-on-year demand improves

China's unwrought copper imports rose 2.6% in the first two months of 2024, customs data showed on Thursday, as domestic demand improved from the same period in the previous year, when pandemic restrictions had just been lifted.

Arrivals of unwrought copper and products in China, the world's biggest consumer of the metal, were 902,000 metric tons in January and February, up from 879,000 tons in the same year-ago period, the General Administration of Customs data showed.

China combines import data for January and February into one release to smooth out the impact of the Lunar New Year holidays, which fall in either of these months each year.

The yearly growth indicated better domestic demand compared to the same period last year when China had just dropped its COVID restrictions, said He Tianyu, a copper analyst at commodity research house CRU.

However, copper imports were limited by high inventories and more domestic output, He added.

Copper stocks monitored by Shanghai Futures Exchange hit a one-year high last Friday.

Copper consumption is likely to pick up from around mid-March, as end users ramp up production after the Lunar New Year holiday and before the summer, when maintenance usually happens.

Analysts, however, said consumption this year is likely to be subdued due to the slowdown in the property market, a key copper user whose troubles have also contributed to weaker growth in the world's second largest economy. Imports of copper concentrate came in at 4.66 million tons for the first two months of the year, up 0.6% on a year earlier and the highest level ever for the same period, customs data showed.

China is the world's top producer of refined copper and its smelters have been rapidly expanding their capacity over the past year to get ahead of an expected surge in copper demand from sectors related to the green energy

transition such as electric vehicles or wind and solar energy.

However, tighter concentrate supplies have led to a drop in processing fees, but this is expected to recover in the next few months, analysts said.

### Rio Tinto says checking impact of gas pipeline incident on Gladstone operations

Rio Tinto said on Thursday it had been notified of an incident at its Queensland gas pipeline, which Australian media had earlier said was a fire that had impacted supplies.

Rio Tinto also said it was checking with energy provider Jemena to understand how its alumina and aluminium operations would be affected by the disruption.

"We are working with Jemena and the Australian Energy Market operator to understand the impact to our Gladstone operations," a company spokesperson said in a statement.

Australian media had reported that a fire had broken out on Tuesday at a section of the pipeline and that industrial gas users had been asked to lower consumption so that residential users were not impacted.

"Preliminary work is underway to prepare the impacted section of the Queensland Gas Pipeline for repairs," energy provider Jemena said in a statement. "We will be in a position to provide more detail on our restoration plan and timeframe once this initial stage is completed."

A spokesperson for Orica, which manufactures explosives for Rio and runs alumina projects in Gladstone, said it had worked closely with Jemena to safely reduce its cyanide production at the site until the incident was resolved.

"Ammonium nitrate production is continuing as normal and we don't expect any supply disruption to our customers at this stage and will provide further updates as they become available," the spokesperson said in an emailed response.

Rio's Gladstone operations include its Yarwun and Queensland alumina refineries and its Boyne aluminium smelter.

## Top News - Carbon & Power

### EXCLUSIVE-Mexico's Pemex, Carlos Slim team met to discuss deepwater gas project -sources

Mexican state energy company Pemex and billionaire investor Carlos Slim's team are discussing ways to revive development of the country's first deepwater natural gas field that was shelved twice before, two sources told Reuters.

The sources, both with direct knowledge of the matter, said executives of companies controlled by the Slim family met with Pemex on Tuesday to discuss the Gulf of Mexico gas field. One of the sources said the parties had agreed to meet again.

The Lakach field has been hailed as a potential gateway to a new deepwater Mexican gas frontier. The sources

said Pemex declared it a top priority to find a new partner after its last pulled out at the end of last year.

Pemex wants to develop the offshore field using a service contract where partners finance projects upfront, a mechanism used prior to the country's energy sector opening during, one of the sources said.

It was unclear whether Pemex and Slim's companies plan to move forward with the project or whether others would be involved. The sources said Pemex had reached out to other companies, too.

Pemex did not immediately respond to a request for comment. A spokesman for Slim declined to comment. Slim, whose empire extends from telecommunications to mining to retail, has been increasing his participation in the energy sector since last year with stakes in shallow water fields Zama, Ichalkil and Pokoch.

During a rare public appearance in Mexico City last month, Slim said he was "interested in being partners with someone with experience."

Slim owns stakes in various companies that could participate in the Lakach field, including construction companies FCC and IDEAL, which one source said attended the Tuesday meeting.

However, both sources said Pemex and Slim would still likely need another company with deepwater expertise. Reuters revealed in November that Pemex and U.S. liquefied natural gas company New Fortress Energy terminated a deal to develop the field because the parties could not come to an agreement on terms including pricing.

President Andres Manuel Lopez Obrador has said the field could be key for supplying much-needed gas to Mexico and bringing the country closer to energy self-sufficiency. Located some 90 kilometers (56 miles) from the Gulf port of Veracruz, it holds an estimated 900 billion cubic feet of gas.

So far, Pemex has spent \$1.4 billion on it. Plans to produce gas there were also shelved in 2016, after it was deemed too expensive.

Officials from the oil regulator and Pemex have also been at odds over how to develop the Lakach field.

Reuters reviewed five internal assessments the regulator conducted between 2015 and 2022. In these, officials repeatedly raised questions over whether the it would be economically viable and technically feasible.

In one document, dated October 2022, officials at the regulator urged Pemex to submit additional information about "what programs will be implemented to mitigate risks and guarantee the success of the project."

They noted a lack of deepwater gas expertise as well as missing studies of the field and its infrastructure; they also raised questions over already sunken costs and whether the project would ever turn a profit given low gas prices.

In another document, dated the same month, officials warned of uncertainty over the volume of gas the field actually holds, including conflicting assessments of proven reserves, and that results of some trials deviated from what Pemex had projected.

### **EXCLUSIVE-Saudi Aramco, UAE's ADNOC in talks to invest in US LNG projects, sources say**

Gulf oil giants Saudi Aramco and Abu Dhabi National Oil Company (ADNOC) are in talks to invest in U.S. liquefied natural gas projects, as they step up competition with oil majors and regional rival Qatar in the booming super-chilled gas market, sources aware of the matter said.

The two energy giants are trying to exploit their fossil fuel resources while they can and with demand for the chilled fuel expected to grow by 50% by 2030, they are tapping opportunities in the United States which has become the world's biggest exporter of LNG as it sends record volumes to Europe.

Saudi Aramco is in talks to invest in phase 2 of Sempra Infrastructure's Port Arthur LNG project in Texas, which represents a proposed expansion to the already producing first phase, the sources said, declining to be identified due to the sensitivity of the matter.

Meanwhile, state-owned ADNOC is in talks with the U.S. LNG firm NextDecade for an offtake from a proposed fourth processing unit at its \$18 billion Rio Grande LNG export facility, they added.

Aramco and ADNOC declined to comment when contacted by Reuters. Sempra Infrastructure, a subsidiary of Sempra, said it does not comment on commercial matters related to projects under development, while NextDecade said it does not comment on market speculation.

U.S. LNG capacity is set to almost double over the next four years, but several U.S. LNG projects developers have faced financial hurdles to get their proposed export terminals off the ground as investors become more demanding and amid increasing regulatory pressures on banks to focus on environmental, social and governance (ESG).

"The message is: If ESG focussed banks won't finance U.S. projects, someone will," Kaushal Ramesh, Rystad Energy's vice president for LNG research said.

Following pressure from climate activists, U.S. President Joe Biden in January paused approvals pending and future applications to export LNG from new projects.

It is not yet clear if the talks with the Gulf oil giants are around equity stakes or sale and purchase agreements (SPA), or both.

One of the sources said Aramco is in talks to purchase some or all volumes from one of the two liquefaction units



at Port Arthur's second phase, both capable of producing up to 13.5 million tonnes per annum (mtpa).

#### GULF LNG RACE

Saudi Aramco is trying to kickstart its global LNG business. ADNOC is already a player in the LNG market. Both compete with neighbouring Qatar, one of the world's largest exporters of the seaborne fuel.

QatarEnergy has recently revealed expansion plans that will see it control a global LNG market share of nearly 25% by 2030, analysts say.

"Both Aramco and ADNOC are the oil heavyweights who

could have always done more in LNG...It wouldn't be a surprise that they will happily unlock their wallet for the right project," Rystad's Ramesh said.

On Tuesday, sources told Reuters that Aramco has been shortlisted along with Shell and a few other companies to purchase most of the assets of LNG trading firm Pavilion Energy, what could kickstart its LNG business.

"This transaction would underpin the demand side of the equation to build a global LNG portfolio, likely linked to U.S. Gulf Coast supply purchases in the near future," said Felix Booth, head of LNG at energy intelligence firm Vortexa.

## Top News - Dry Freight

### China Jan-Feb coal imports rise 23% y/y to highest level for the period

China's coal imports in the first two months of 2024 rose 23% from the corresponding period a year earlier, data showed on Thursday, rising to the highest level for the period.

Imports in January and February were 74.52 million metric tons, up from 60.63 million tons in the first two months of 2023, according to the General Administration of Customs.

China combines import data for the two months in a single release so as to smooth out the impact of the Lunar New Year holidays, which can fall in either month each year.

The January-February total was the highest on record for the period, defying analyst expectations that China's big surge in imports in 2023 would start to ease this year.

China's coal imports last year jumped 61.8% to a record of 474.42 million tons.

December saw imports reach an all-time monthly high of 47.3 million tons. A record-breaking cold wave in many parts of the country drove higher demand, and buyers rushed to stock up before new import tariffs took effect in January.

In December, China's cabinet restored coal import tariffs of 3% to 6% on nations that do not have two-way free trade pacts with Beijing, with effect from January 2024 and applying largely to key suppliers Mongolia and Russia.

But imports of Mongolian coal are still expected to rise as cross-border logistics improve.

Sweeping U.S. sanctions imposed on Russia in late February could also give Chinese traders pause in sourcing Russian coal in the future, analysts from industry group the China Coal Transportation and Distribution Association said.

The new measures target Russia's future energy capabilities and specifically name major coal producer SUEK and steelmaker Mechel.

### China Jan-Feb iron ore imports jump on pre-holiday restocking, higher shipments

China's iron ore imports in the first two months of 2024 climbed 8.1% from the previous year as steelmakers restocked to meet production needs during and after the week-long Lunar New Year holiday.

The world's largest iron ore consumer brought in 209.45 million metric tons of the key steelmaking ingredient - a record high for the two-month period, customs data showed on Thursday.

The number works out to a monthly average of 104.73 million tons, versus a monthly average of 98.39 million tons in 2023.

That compares to 100.86 million tons imported in December.

China combines import data for January and February into one release to smooth out the impact of the Lunar New Year holidays, which fell in February this year.

Better-than-expected supply in a typically slow-shipment season and an extra day in February due to the leap year aided the annual rise in imports, analysts said.

Bookings in November and December for shipments that would arrive in January-February were robust as buyers were worried that iron ore prices which were rising at the time could climb further, analysts said.

Buyers also expected ore demand to pick up after the holiday break due to seasonally stronger steel consumption in spring.

The higher imports have contributed to a price slump and rising portside inventories in the January-February period, according to analysts.

Iron ore prices tumbled by 19% during the two months, while stocks at major ports climbed by more than 16% to 134.9 million tons by end-February, the highest since March 2023, data from consultancy Steelhome showed. "If hot metal output continues to hover at relatively low levels in the coming months, iron ore imports may fall," said Xu Xiangchun, director of content at consultancy

Mysteel, referring to the slower-than-expected recovery in ore demand after the Lunar New Year holiday. China's exports of steel products grew 32.6% to 15.91 million tons in the first two months of the year versus the same period a year earlier, the highest level for the period since 2016, the data also showed. China's imports of steel products dropped 8.1% to 1.13 million tons.

### MARKET MONITOR as of 07:36 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$79.11 / bbl	-0.03%	10.41%
NYMEX RBOB Gasoline	\$2.54 / gallon	-0.09%	20.70%
ICE Gas Oil	\$833.50 / tonne	-0.51%	11.02%
NYMEX Natural Gas	\$1.94 / mmBtu	0.36%	-22.99%
Spot Gold	\$2,156.80 / ounce	0.40%	4.57%
TRPC coal API 2 / Dec, 24	\$113.25 / tonne	2.95%	16.75%
Carbon ECX EUA	€58.75 / tonne	-0.81%	-26.90%
Dutch gas day-ahead (Pre. close)	€25.80 / Mwh	-5.74%	-19.00%
CBOT Corn	\$4.30 / bushel	0.17%	-11.26%
CBOT Wheat	\$5.32 / bushel	0.14%	-16.85%
Malaysia Palm Oil (3M)	RM4,073 / tonne	-0.20%	9.46%
Index	Close 06 Mar	Change	YTD
Thomson Reuters/Jefferies CRB	320.91	0.85%	6.47%
Rogers International	27.21	0.50%	3.36%
U.S. Stocks - Dow	38,661.05	0.20%	2.58%
U.S. Dollar Index	103.25	-0.12%	1.89%
U.S. Bond Index (DJ)	425.12	0.39%	-1.30%

## Picture of the Day



*Chinese Coast Guard vessels fire water cannons towards a Philippine resupply vessel Unaizah May 4 on its way to a resupply mission at Second Thomas Shoal in the South China Sea, March 5. REUTERS/Adrian Portugal*

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

For questions or comments about this report, contact: [commodity.briefs@thomsonreuters.com](mailto:commodity.briefs@thomsonreuters.com)

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